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**HOUSE OF REPRESENTATIVES
SUB-COMMITTEE ON AUTOMOBILE INSURANCE**

AUTOMOBILE INSURANCE REPORT

FEBRUARY, 1998

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INTRODUCTION

The Joint Committee on Insurance held public hearings on Massachusetts private passenger automobile insurance on May 5, May 7 and May 12, 1997. During those hearings, the Joint Committee received testimony on several aspects of auto insurance, such as the Safe Driver Insurance Plan, Group Marketing, Reform, Managed Care, Commonwealth Automobile Reinsurers, Consumers, Glass Companies and Antique Automobiles. In response to the hearings, House Chairman, Representative Nancy Flavin formed the House Sub-Committee on Automobile Insurance to study some of these important issues. Private passenger automobile insurance is a difficult and complex subject, within which there are several topics deserving of study. However, the Sub-Committee focused primarily on four key topics: 1). The flat rate; 2). The choice system; 3). Competition; and 4). Commonwealth Automobile Reinsurers (C.A.R.).

This report contains the Sub-Committee's findings on the above-mentioned topics and also contains recommendations on improving Massachusetts private passenger automobile insurance for both the present and the future.

KEY TOPICS

- FLAT RATE
- CHOICE
- COMPETITION
- COMMONWEALTH AUTOMOBILE REINSURERS



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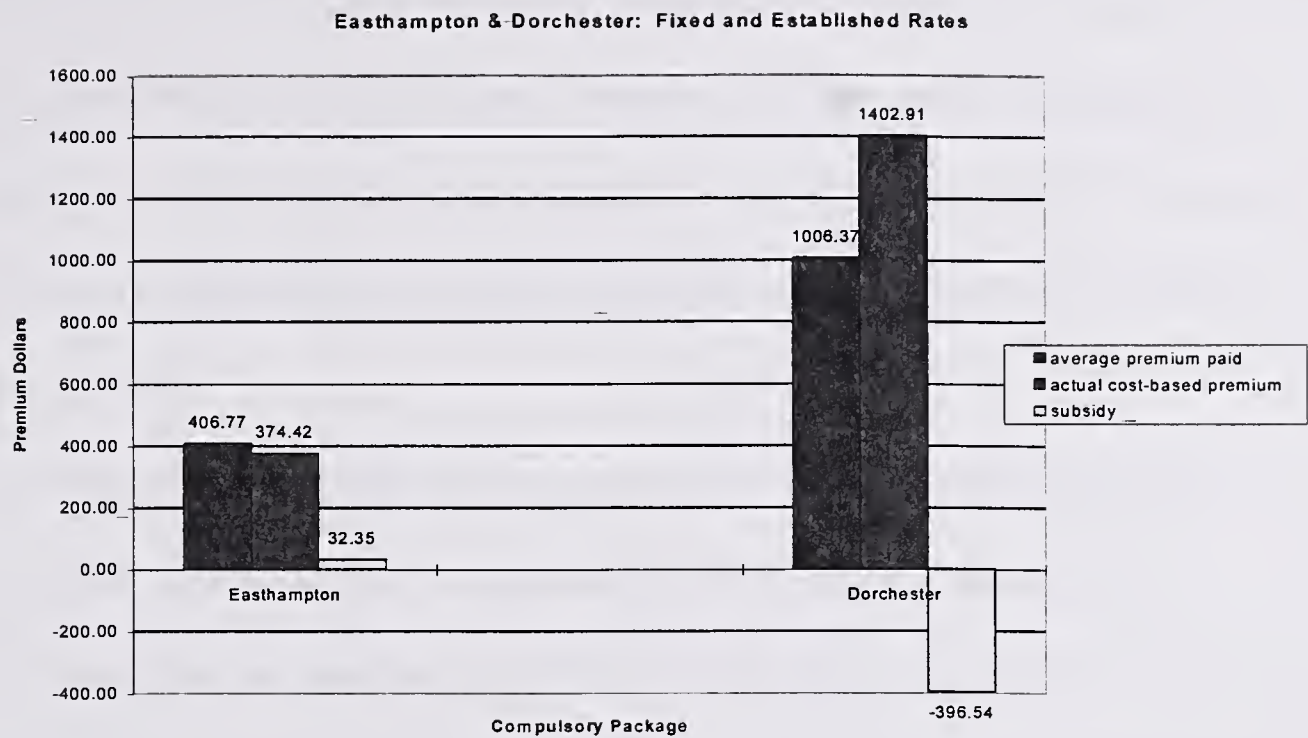
FLAT RATE

The Sub-Committee chose to examine the “flat rate” as its first topic of study¹. Using the “flat rate”, all premiums would be based upon one rate, which would most likely be the total average rate for Massachusetts drivers. Based on 1997 private passenger automobile rates, the average rate for a compulsory package is \$515.97 and is \$965.23 for a standard package². Geographic or territorial location would not be taken into consideration. The flat rate would then presumably be adjusted for factors such as driving experience and training (class) and driving history (SDIP). Although the term “flat rate” implies a uniform rate for all Massachusetts drivers, in reality, drivers would not pay exactly the same rate, due to the adjustments discussed above. Instead, all drivers would begin at the same rate.

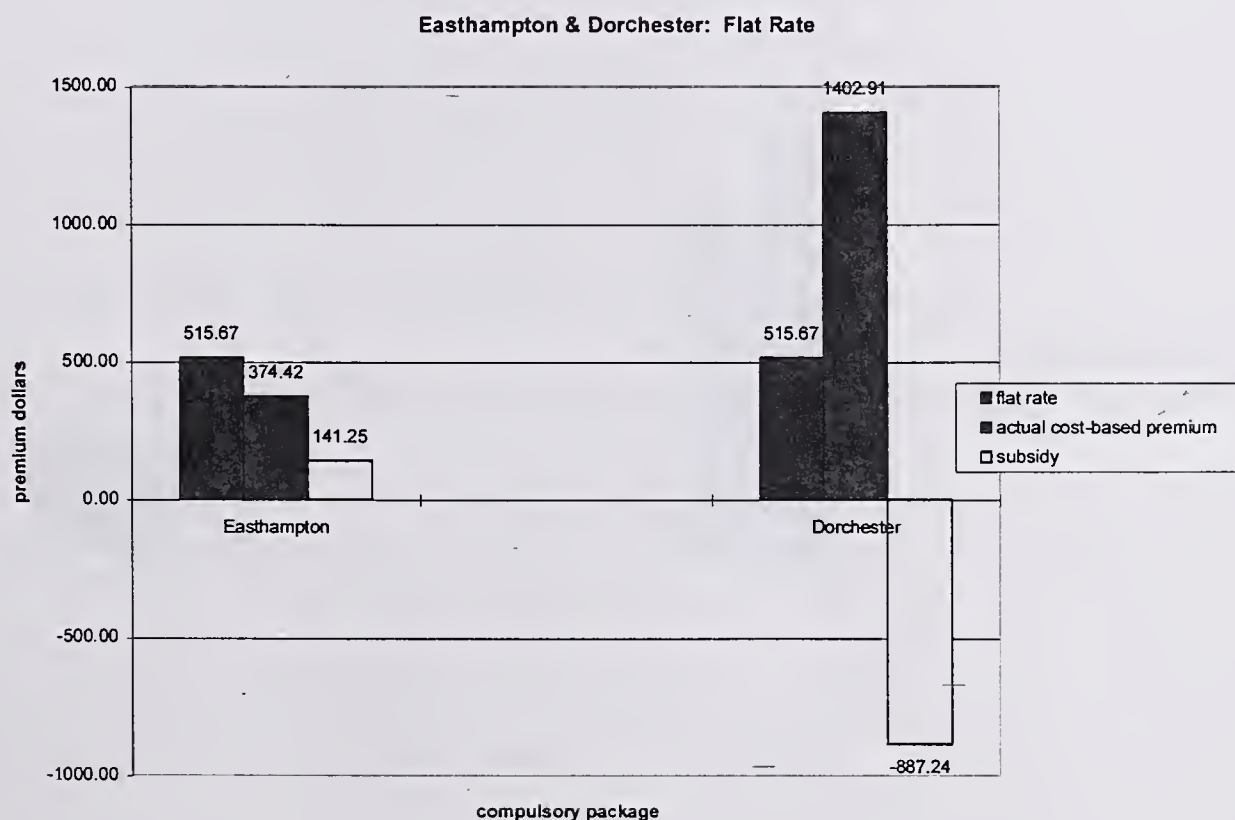
While a flat rate premium would benefit some Massachusetts drivers, particularly young drivers and those drivers living in urban areas, the majority of Massachusetts drivers would not benefit under such a plan. Proponents of the flat rate argue that one should not be “penalized” for where one’s vehicle is principally garaged. However, statistics show that drivers whose vehicles are principally garaged in urban areas, which have greater traffic density, are more likely to be involved in an accident than drivers whose vehicles are principally garaged in rural areas. Moreover, claims resulting therefrom are higher in urban areas than in rural areas. Since insurance is about risk and the likelihood of risks coming to fruition, it is only logical that greater risks cost more.

While it is true that drivers who have their motor vehicles principally garaged in rural areas travel through the urban areas and contribute to the traffic density problem discussed above, our present system accounts for this in several ways. First, although more accidents occur in urban areas, the accidents are charged to the territory of the at-fault driver, **not** where the accident occurred. For example, if an Easthampton driver and a Dorchester driver are involved in an accident in Dorchester, and the Easthampton driver is more than 50% at fault, the accident will be charged to Easthampton. Second, Massachusetts' youthful drivers and urban drivers' rates are subsidized by experienced drivers and non-urban rates. Presently, fifteen (15) territories subsidize the remaining twelve (12) territories³. The amounts of such subsidies vary. Based on a compulsory package, the lowest overcharge paid is \$5.40; while the highest paid is \$49.95⁴. Based on a standard package, the lowest overcharge paid is \$1.57; while the highest paid is \$72.77⁵. These overcharges translate into savings to the subsidized territories. Based on a compulsory package, the lowest subsidy received is \$1.48; the highest is \$508.78⁶. Based on a standard package, the lowest subsidy received is \$1.14; the highest is \$905.91⁷.

For example, drivers whose vehicles are principally garaged in Easthampton, which is in territory 3, pay, on average, \$406.77 for a compulsory package⁸. This amount is \$32.35 more than the Actual cost-based rate, which is \$374.42⁹. Drivers whose vehicles are principally garaged in Dorchester, which is in territory 21, pay, on average, \$1,006.37 for a compulsory package¹⁰. This amount is \$396.54 less than the Actual cost-based rate, which is \$1,402.91¹¹. [See chart on following page]

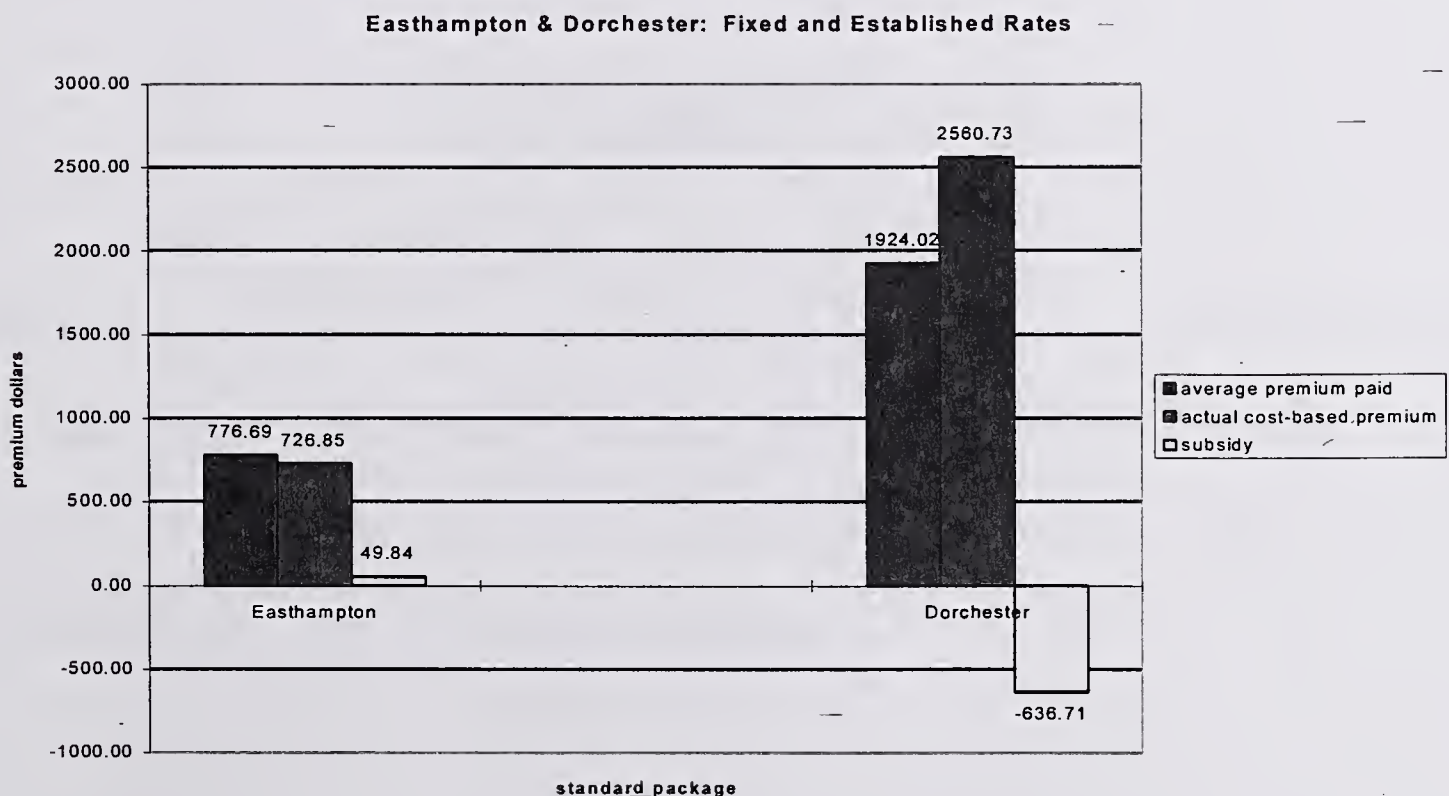


If all drivers paid the Massachusetts average rate for a compulsory package, \$515.67, then Easthampton drivers would pay an additional \$108.90, paying a total subsidy of **\$141.25**. Dorchester drivers would pay \$490.70 less, receiving a total subsidy of **\$887.24**. [See chart below]

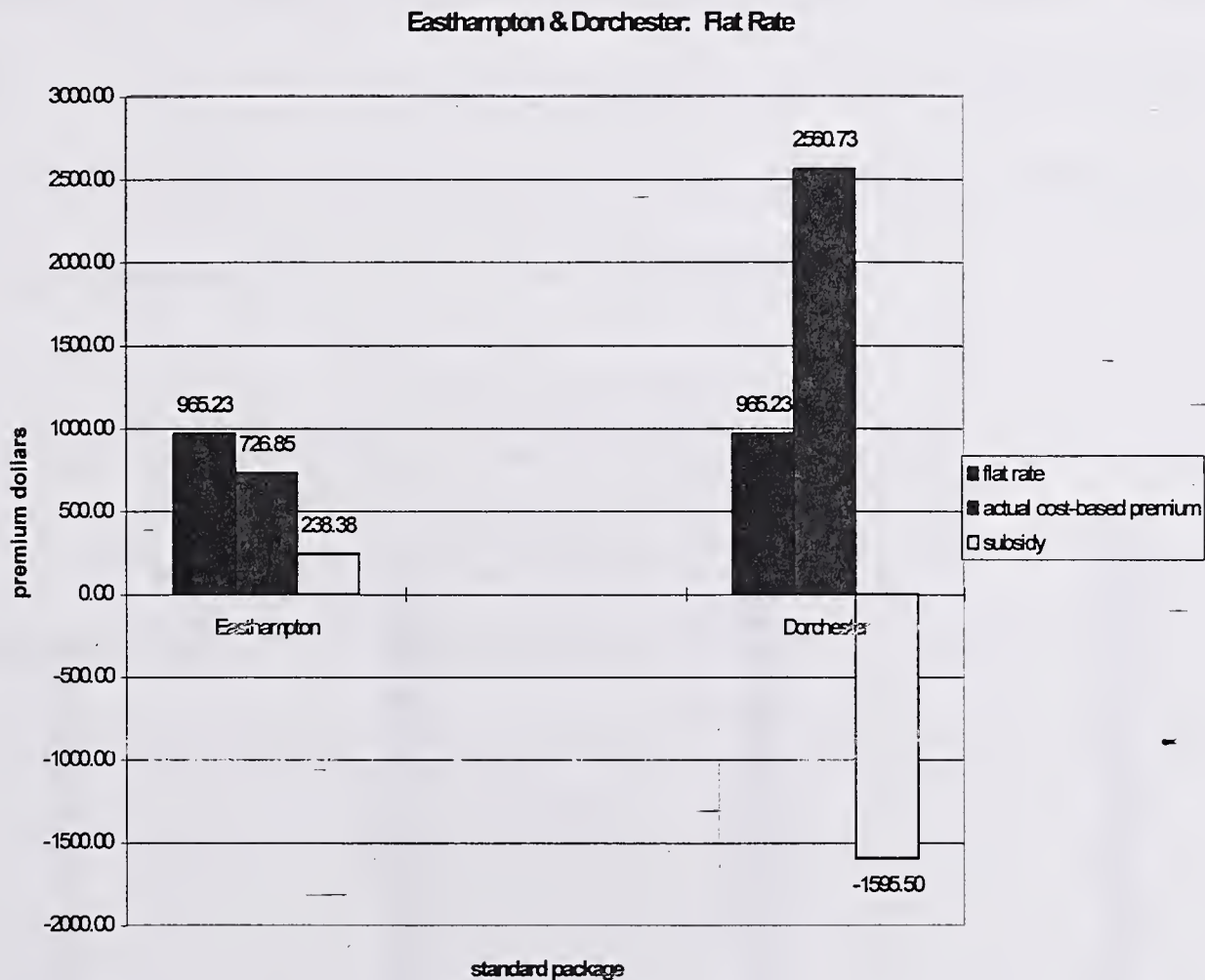


Easthampton drivers would pay approximately 26.8% more for insurance, while Dorchester drivers would pay 48.8% less. While the subsidy paid by Easthampton does not directly subsidize Dorchester, under this example, less than 31,000 territory 21 insureds would receive a decrease and more than 300,000 territory 3 insureds would pay an increase¹².

The subsidy scheme described above is further exacerbated if one uses a “standard package” of insurance. The average Massachusetts rate would be \$965.23¹³. Insureds whose vehicles are principally garaged in Easthampton pay, on average, \$776.69 for a standard package¹⁴. This amount is \$49.84 more than the Actual cost-based rate, which is \$726.85¹⁵. Drivers whose vehicles are principally garaged in Dorchester pay, on average, \$1,924.02 for a standard package¹⁶. This amount is \$636.71 less than the Actual cost-based rate, which is \$2,560.73¹⁷. [See chart below]

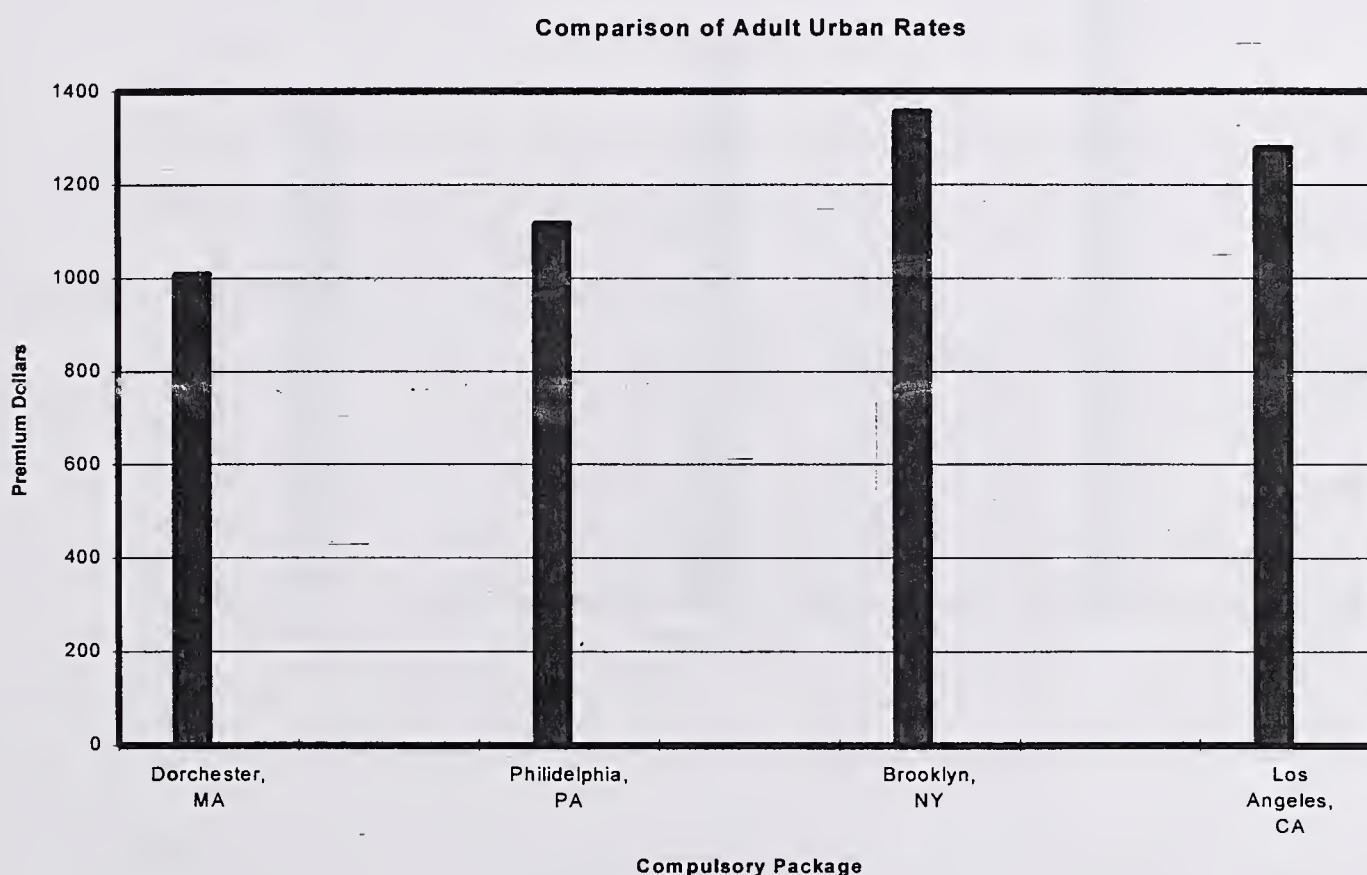


If all drivers paid the average Massachusetts rate for a standard package, \$965.23, then Easthampton insureds would pay an additional subsidy of \$188.54, for a total subsidy paid of **\$238.38**. Dorchester insureds would receive an additional subsidy of \$636.71, for a total subsidy received of **\$1,595.50**. [See chart below]



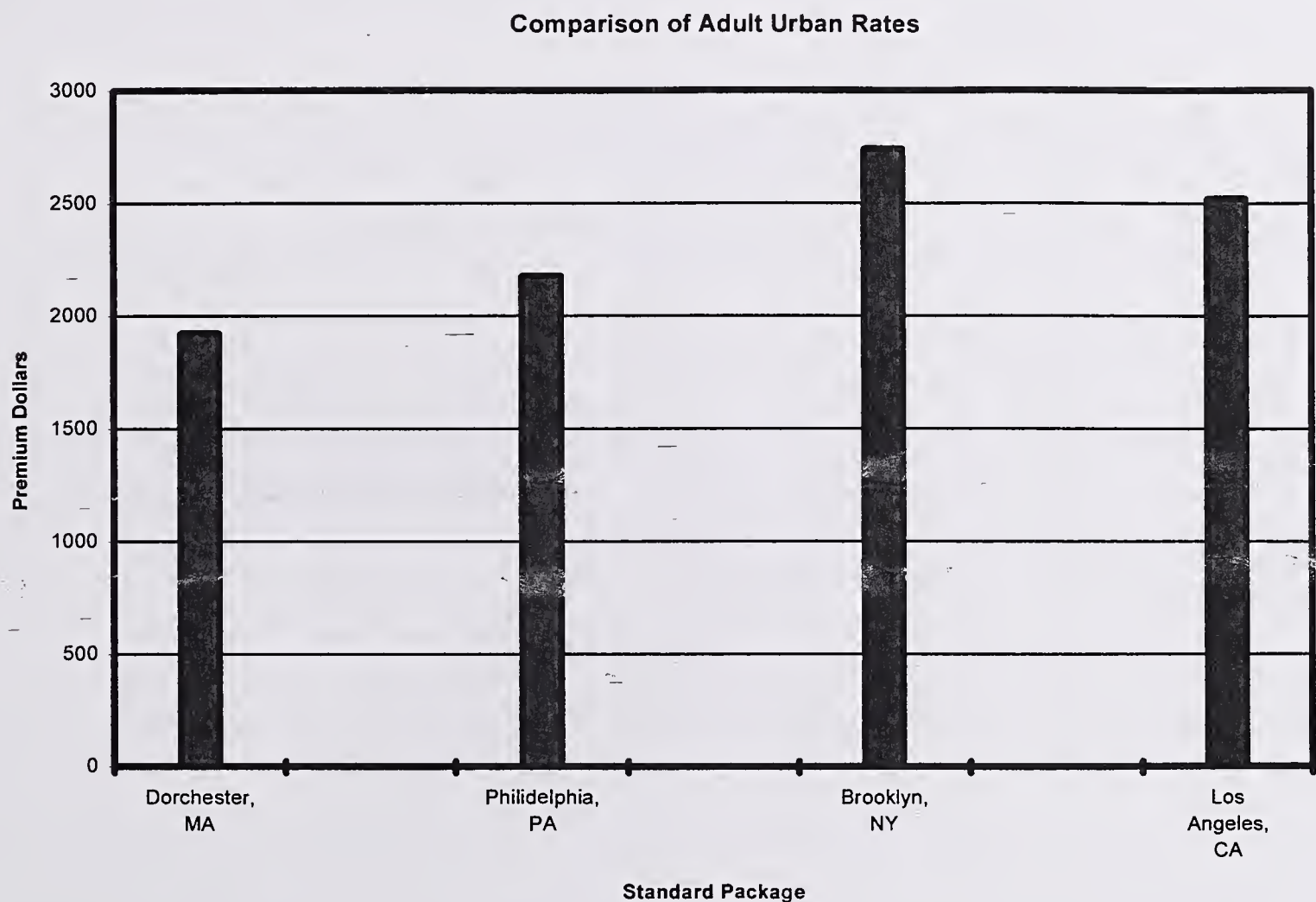
Easthampton insureds would see an increase of 24.3% on a standard package. Dorchester insureds would see a decrease of 49.8% on a standard package. Again, less than 31,000 territory 21 drivers would receive the subsidy, while more than 300,000 territory 3 drivers would pay the subsidy¹⁸.

Moreover, a comparison of Massachusetts' urban territorial rates to similar urban territorial rates elsewhere in the country shows that Massachusetts' urban drivers, under the present "fix and establish" system, pay far less for comparable compulsory and standard packages of insurance than do other states' urban drivers. For example, in Pennsylvania, the average compulsory coverage for an adult driver in Philadelphia is \$1,115.00¹⁹. In New York, the average compulsory coverage for an adult driver in Brooklyn is \$1,355.00²⁰. In California, the average compulsory coverage for an adult driver in Los Angeles is \$1,278.00²¹. [See chart below]



Youthful drivers in these cities pay even higher premiums. For example, the average compulsory coverage for a male youthful driver in Philadelphia is \$2,870.00; in Brooklyn is \$4,084.00 and in Los Angeles is \$2,865.00²².

Drivers in these other urban areas pay even higher premiums for a standard package of insurance. For example, the average standard package coverage for an adult driver in Philadelphia is \$2,177.00; in Brooklyn is \$2,739.00 and in Los Angeles is \$2,521.00²³. [See chart on below]

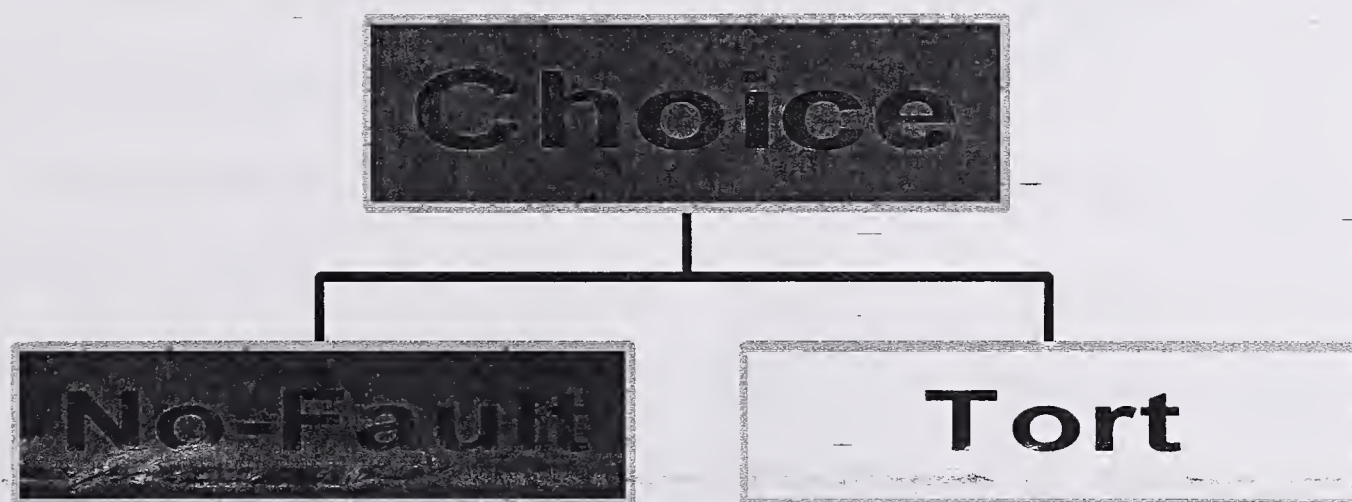


Youthful drivers in these cities pay extremely high premiums for a standard package of insurance. For example, the average youthful driver in Philadelphia pays approximately \$5,654.00; in Brooklyn pays \$8,376.00 and in Los Angeles pays \$7,074.00²⁴.

The above discussion shows that a flat rate for automobile insurance is unfair to the majority of Massachusetts drivers. In Massachusetts, urban drivers do pay more than non-urban drivers, but they do not pay nearly as much as they would, were these areas not subsidized. Moreover, the fact that no state has ever adopted flat rate for automobile insurance shows that such a rating mechanism would be unique, and not beneficial to the majority of Massachusetts drivers.

CHOICE

“Choice” is a system of automobile insurance. The choice system is designed primarily to afford consumers the ability to choose between purchasing a no-fault policy or a tort policy. This essentially means that the consumer is choosing whether he/she wants to limit his/her ability to sue in tort for damages suffered as a result of a motor vehicle accident.



NO FAULT

A no-fault policy provides first party coverage to the insured. This means that the insured's own policy will cover his/her medical expenses, lost wages and replacement services, should the insured or a member of his/her family be injured as a result of an automobile accident. All the insured need do is submit the bills or other documentation to his/her insurance company to be paid. This coverage is available to the insured or other eligible persons regardless of fault. The policy behind this type of insurance is that the insured's economic expenses can be covered without having to go to court (and proving fault).

A no-fault policy does not cover damages for pain and suffering that the insured may experience as a result of the accident. In most states, the insured who has a no-fault policy may bring a lawsuit against the other driver, but only if the insured meets a statutory threshold. This threshold can be monetary, verbal or a combination of both. A monetary threshold means that the insured may only sue for pain and suffering if his/her medical expenses exceed a certain dollar amount. A verbal threshold means that the insured may only sue for pain and suffering if he/she suffers from a serious injury or specific injuries that are listed in each state's statute.

Massachusetts' no-fault component is the Personal Injury Protection (PIP) coverage²⁵. Massachusetts insureds must purchase \$8,000 of PIP coverage. Automobile insurance will pay the first \$2,000 of the insureds economic losses. Medical expenses exceeding \$2,000 are then covered by the insured's health insurance. Procedures not covered by the health insurance can be recovered from the remaining \$6,000.

Massachusetts has a hybrid tort threshold (both monetary and verbal)²⁶. To sue in tort, the insured must either suffer from an enumerated injury²⁷ or incur medical bills that exceed \$2,000.00²⁸. The threshold issue is a source of great debate in Massachusetts. Some feel that the threshold should be lowered because they see it as an incentive for insureds to build up their claims to sue for pain and suffering. Others feel that the threshold should be raised because it is too easy to reach, thus defeating the purpose of the no-fault coverage. Still others feel that the threshold is unfair because it limits a persons' right to sue by imposing the threshold as a prerequisite to initiating suit.

TORT

A tort policy provides no direct payments to the insured. This means that if the insured is injured, he/she must seek recovery of his/her losses through litigation against the other driver.²⁹ If the insured is at fault³⁰, then his/her bodily injury losses will not be covered. Instead, his/her insurance will be available to cover the other party's losses and to satisfy any judgments rendered against the insured.

NO-FAULT POLICY	
BENEFITS	DETRIMENTS
<ul style="list-style-type: none">• Available regardless of fault• Economic Losses covered• No tort lawsuit necessary to receive benefits	<ul style="list-style-type: none">• Non-Economic Losses not covered• Threshold imposed as prerequisite to initiating tort lawsuit

vs.

Tort Policy	
BENEFITS	DETRIMENTS
<ul style="list-style-type: none">• Economic and Non-economic losses recoverable• No threshold imposed	<ul style="list-style-type: none">• Lawsuit necessary to recover losses• Plaintiff must prove negligence

Massachusetts utilizes the comparable negligence system. Under such system, a person must be less than 50% at fault in an accident in order to bring a tort suit against the other driver. In other words, the defendant must be 51% or more at fault for the plaintiff to bring a tort suit against him/her. Other states use the pure negligence theory. Under that theory, a party can initiate suit against the other regardless of percentage of fault. Each party's judgment will be reduced according to his percentage of fault, which is generally determined by the jury.

Presently, Massachusetts law, Chapter 90 §34A mandates that all insureds carry four basic coverage types and the minimum limits³¹ that must be purchased for each. These are: 1. Bodily Injury to Others (\$20,000 per person/\$40,000 per accident (Tort coverage); 2. Personal Injury Protection (\$8,000 (No-fault coverage); 3. Bodily Injury Caused by An Uninsured Auto (\$20,000 per person/ \$40,000 per accident); and 4. Damage to Someone Else's Property (\$5,000). In addition, there are eight optional coverages available to Massachusetts insureds. These include: 1. Optional Bodily Injury to Others; 2. Medical Payments; 3. Collision; 4. Limited Collision; 5. Comprehensive; 6. Substitute Transportation; 7. Towing and Labor; and 8. Bodily Injury caused by an Underinsured Auto. Technically, Massachusetts insureds do not have the option of choosing between a no-fault or a tort policy. However, insureds may purchase an \$8,000 deductible on their PIP coverage, which would really eliminate their no-fault benefits.

The choice system is presently available in three states: New Jersey, Pennsylvania and Kentucky. Each state's choice system varies. For example, in New Jersey, all insureds must purchase both no-fault and tort insurance³². The minimum coverages that must be purchased are: \$15,000/\$30,000 in Bodily Injury coverage (fault) and \$250,000 in no-fault coverage³³. The "choice" offered to their insureds is whether to have a zero dollar threshold or a verbal threshold³⁴. Insureds who fail to choose which threshold they prefer are deemed to have chosen the verbal threshold³⁵.

In Pennsylvania, insureds must also purchase tort and no-fault insurance³⁶. The minimum coverages that must be purchased are: \$15,000/\$30,000 in Bodily Injury coverage (fault) and \$5,000 in no-fault coverage³⁷. Again, the "choice" offered to

Pennsylvania insureds is whether to have a zero threshold or a verbal threshold. Insurers in Pennsylvania must also offer several alternative no-fault insurance policies, with varying degrees of benefits³⁸. Insureds who fail to select an alternative are deemed to have chosen the full tort alternative³⁹.

In Kentucky, insureds must purchase a minimum of \$25,000/\$50,000 of Bodily Injury (fault) coverage, but have the choice of whether or not to purchase no-fault insurance⁴⁰. The minimum no-fault benefit that must be offered is \$10,000. Insureds may purchase additional no-fault benefits, in \$10,000 increments, up to \$40,000⁴¹. The hybrid threshold imposed on those purchasing no-fault insurance is similar to Massachusetts' threshold: Insureds must either meet a verbal threshold or incur medical expenses that exceed \$1,000⁴². Kentucky motorists must reject the no-fault insurance in writing⁴³.

There is also a federal bill, The Auto Choice Reform Act⁴⁴, now pending in the U.S. Senate. This bill would require all states to allow consumers the option of choosing between the insurance policy currently offered by the state or choosing a no-fault policy.

Proponents of choice would argue that automobile insurance is one of the only products the government mandates its citizens to purchase. As such, citizens should be allowed to purchase the type and amount of coverage they want. Persons who do not own many assets or who feel that they are unlikely to cause an automobile accident may not want to purchase the same amount of insurance as persons who have assets they wish to protect or who are not the best drivers. By the same token, some may wish to purchase no-fault insurance, because it generally costs less and it guarantees

coverage for them when they are injured. Others may feel that a tort policy would best protect their interest and do not mind paying more for preserving their right to sue for non-economic losses.

Proponents of choice also argue that, "Insurance is generally too expensive for most people. For some, the only option is not to purchase insurance at all. Choice would benefit these people because they could buy minimal coverage and save, in some cases, hundreds of dollars off their current premiums. Since the costs will be greatly reduced, the number of uninsured drivers may also decrease⁴⁵."

Opponents of the choice system would argue as follows: "A person's economic status should not determine his/her insurance coverage. Further, since a no-fault policy is generally less expensive than a tort policy, many insureds may be forced to purchase the no-fault policy because they can not afford the tort policy. These people, in essence, are losing their right to sue simply because they can't afford to purchase it. In many instances it is urban drivers who can not afford insurance because their premiums are higher than non-urban drivers."

Also, opponents fear that because the choice system is complex, consumers may not understand the choices they are asked to make. In New Jersey, if the consumer does not elect a tort policy, he/she is automatically given a no-fault policy. In that situation, a person gives up his/her right to sue for minor injuries without even being aware of it. In addition, many argue that the choice system is difficult to administer, especially when a tort policyholder and a no-fault policyholder are involved in an accident, thereby leading to further consumer confusion.

Massachusetts' fix and establish system addresses the economic disparity problem in two ways. First, the state sets the maximum rates which may be charged in urban areas and second, the urban rates are subsidized by non-urban areas making insurance more affordable for urban areas. Public Policy considerations play a major role in making this type of determinations. Massachusetts is also unique in that Agents write approximately 70% of the policies here. This benefits consumers because the Agents, in most instances, are readily accessible to consumers to provide assistance and answer their questions.

Competition

“Competition”, when used in reference to rate-making for automobile insurance, can have several meanings. Competition encompasses the classification of risks and/or the setting of rates for such risks. To understand the term then, one must understand the concepts of risk classification and rate setting.

Classifying risks is the way insurers, or in Massachusetts, the Commissioner, categorizes drivers. The classifications are designed to help insurers predict the losses, which in turn, affect rates. These classifications are known as “Rating Variables”. Under Massachusetts’ fix and establish rate-making system, the Commissioner of Insurance sets all of the rating variables. The variables used in Massachusetts are: 1). Territory; 2). Driving experience and training (Class); 3). Driving Record (SDIP) and 4). Age (for persons over 65).

The territory variable is governed by M.G.L. c. 175E, § 4(d), which mandates that the Commissioner of Insurance establishes a classification of risks which shall include a designation of not less than fifteen territories. All cities and towns in the Commonwealth are assigned to a territory. A territory is comprised of cities and towns having similar loss experience. There are presently 27 territories in Massachusetts. Territory assignment is performed every (2) years.

Years of driving experience and training is known as “class”. In Massachusetts, there are nine rating classes. [See chart on next page]

RATING CLASSES

CLASS 10	EXPERIENCED OPERATOR - LICENSED AT LEAST 6 YEARS
CLASS 15	EXPERIENCED OPERATOR - LICENSED AT LEAST 6 YEARS - SENIOR CITIZEN
CLASS 17	INEXPERIENCED PRINCIPAL OPERATOR - LICENSED AT LEAST 3 YEARS, BUT LESS THAN 6 YEARS
CLASS 18	INEXPERIENCED OCCASIONAL OPERATOR - LICENSED AT LEAST 3 YEARS, BUT LESS THAN 6 YEARS
CLASS 30	BUSINESS USE
CLASS 20	INEXPERIENCED PRINCIPAL OPERATOR - LICENSED LESS THAN 3 YEARS
CLASS 21	INEXPERIENCED OCCASIONAL OPERATOR - LICENSED LESS THAN 3 YEARS
CLASS 25	INEXPERIENCED PRINCIPAL OPERATOR - LICENSED LESS THAN 3 YEARS - DRIVER TRAINING
CLASS 26	INEXPERIENCED OCCASIONAL OPERATOR - LICENSED LESS THAN 3 YEARS - DRIVER TRAINING

Driving record is determined in accordance with the Safe Driver Insurance Plan (SDIP), codified in M.G.L. c. 175 §113B. The SDIP is a series of classifications, called “steps”, which reflect the insured’s driving history during the six year period immediately preceding the policy year. This six year period is known as the “experience period”. Under this plan, a driver is assessed surcharge points for At fault Accidents and Traffic Law Violations and is given credits for incident free years of driving. A driver’s step is determined as follows: The driver begins at step 15, the “neutral step⁴⁶”. Any surcharge points assigned during the experience period are then added and credits earned are subtracted. Credits are only earned if the insured has not incurred any

surcharge points within a given year. However, the SDIP forgives the insured's first minor traffic law violation, meaning no surcharge points are assigned therefore. However, the insured will not earn a credit for that year.

In other states, insurers are allowed to determine the rating variables. Of course, these variables can not include any illegal classifications, such as race or religion. Insurers may, however, create their own territory assignments and establish more extensive rating classes. The discretion granted to insurers to create these rating variables varies by state.

The rating variables are then assigned rate relativities. Rate relativities are the rating factors assigned to each variable. In Massachusetts, the Commissioner of Insurance also sets the rate relativities. Public policy considerations play a major role in setting these. It is through this mechanism that cross-subsidization occurs. As is true with rating variables, in other states, insurers, not the Insurance Commissioner, set the rate relativities.

Finally, the actual rates for automobile insurance must be set. In Massachusetts, pursuant to M.G.L. c. 175 § 113B, the Commissioner of Insurance holds a hearing to set the rates for private passenger automobile insurance. At that hearing, three groups, The State Rating Bureau (SRB), The Attorney General (AG) and The Automobile Insurers Bureau (AIB), present detailed statistical evidence on insurers' expected losses, expenses and profits. The State Rating Bureau and the Attorney General represent the consumers' interest. The Automobile Insurers Bureau represents the insurers' interest. During the hearing, representatives from these agencies and other interested parties are given the opportunity to testify in support of

their positions. After considering the evidence and testimony, the Commissioner issues the Rate Decision.

The above-discussion represents the basic components of Massachusetts' Fix and Establish rate-making system. Under this system, the Commissioner of Insurance determines all aspects of rate-making. The fix and establish system has been in place since 1927, except for a brief six month period in 1977, when Massachusetts changed to a competitive rating system. Under competitive rating, the subsidies which were included in the fixed and established rates were immediately eliminated. The result was that the rates for youthful and urban drivers skyrocketed. The term used for this was "rate shock". The public outcry stemming from such rate shock prompted the Legislature to return to the fix and establish system six months later.

Most recently, it has been argued that Massachusetts should move towards a competitive rate-making system. The main impetus behind this suggestion is the competition which presently exists in the areas of SDIP discounts and Group Marketing discounts. The authorization by the Commissioner of open groups led to a dramatic increase in the number of groups. There are currently more than 2,000 groups in Massachusetts. Moreover, in the last two years, most insurers filed and received deviations authorizing discounts to step 9 and step 10 drivers.

There are several competitive rate-making laws currently in use in other states. These include: 1). Open Competition Laws; 2). File and Use Laws; 3). Use and File Laws; 4). Flex Rating and 5). Prior Approval⁴⁷. Open competition laws allow companies to adjust rates without formally filing notice with the regulating agency. The

rates used, however, are subject to monitoring by the regulator, who can take appropriate action if rates are found to be excessive, inadequate or unfairly discriminatory.⁴⁸ File and use laws require companies to file notice of rate changes, but allow the use of the new rate upon filing or until or unless the regulator disapproves them⁴⁹. Flex rating is a system under which prior approval of rates is required only if they exceed a certain percentage above (and in some cases, below) the previously filed rates. Prior Approval laws require companies to file statistically supported applications for rate changes, which must then be approved by the regulator before becoming effective. Some states have "deemer" provisions whereby the rates are deemed approved if no action is taken by the regulator within a certain period of time⁵⁰.

The type of competitive rate-making system Massachusetts would adopt would require a serious, in-depth study of these options and the benefits and detriments of each. Such a study was conducted in 1990, but the recommendations were not implemented. Most recently, the Commissioner of Insurance re-convened the Competition Work Group of 1990 to discuss the feasibility and probability of moving to a competitive rate-making system. While the parties may differ on which type of competitive rate-making law should be implemented, all parties agree that measures must be taken to prevent the events of 1977 from recurring.

COMMONWEALTH AUTOMOBILE REINSURERS⁵¹

Commonwealth Automobile Reinsurers (C.A.R.) was created by Chapter 241 of the Acts of 1983, codified in M.G.L. c. 175 §113H, to administer the residual market and to serve as the Statistical Agent for the Commissioner of Insurance. In its role as administrator of the residual market, C.A.R.'s primary function is to equitably distribute the involuntary market deficit over the market's writers. As Statistical Agent, C.A.R. gathers data from the industry, compiles it and then forwards it to the State Rating Bureau and Automobile Insurers Bureau for use in rate making. C.A.R.'s principal mission is to ensure that all Massachusetts motorists have access to affordable insurance.

HISTORY:

The Massachusetts residual market initially operated as an Assigned Risk Plan (Plan). Under the Plan, Massachusetts insurers were assigned risks in proportion to their market share. Once the risk was assigned to a particular company, that company retained any profits or bore any losses associated therewith. There was no sharing of premium or loss among the insurers.

The Assigned Risk Plan was replaced by the Massachusetts Motor Vehicle Reinsurance Facility (Facility)⁵². The law required that insurers must take all applicants regardless of driving history. The Facility differed from the plan in several ways. First, risks ceded to the Facility were treated exactly the same as risks voluntarily retained by the insurer⁵³. Second, the Facility operated under formal guidelines, namely: a Plan of

Operation, Rules of Operation⁵⁴ and Manual of Administrative Procedures. Third, and perhaps most significant, insurers pooled losses and shared them.

With regard to controlling and decreasing the size of the residual market, the Facility did not provide credits or incentives for insurers to depopulate the residual market. It did, however, impose cession limits on insurers⁵⁵. These limits were not strong enough to deter insurers from ceding business to C.A.R. Decreasing the population in C.A.R. was important because the deficit it produced was growing so large that insurers were deterred from conducting business in Massachusetts. Thus, cession limitations were replaced by a system of participation credits. The participation credits were based upon the insurer's voluntary market share. The Facility remained intact until 1983, when it was replaced by Commonwealth Automobile Reinsurers (C.A.R.)⁵⁶.

C.A.R., like the Facility, provides for the sharing of total losses, rather than assigning individual policies to insurers. Risks ceded to C.A.R. must be treated exactly the same as risks voluntarily retained by insurers. All insurers who write automobile insurance in Massachusetts are required to become members of C.A.R.⁵⁷. C.A.R. operates under a Plan of Operation, Rules of Operation and a Manual of Administrative Procedures, which must be approved by the Commissioner of Insurance. Any changes to these governing documents must also be approved by the Commissioner.

The main impetus behind C.A.R.'s creation was the depopulation of the residual market, which had grown grossly disproportionate to the voluntary market. With this as its aim, the Legislature implemented the following changes: 1). The number of C.A.R. Servicing Carriers was limited to 25; 2). A five (5) year transition period (policy years

1984-1988), capping ratios at 1982 levels, was used to determine insurers' participation; and 3). Insurers whose written voluntary business exceeded the high range of the capping formula were assessed no portion of the C.A.R. deficit for that business⁵⁸. In addition, the law authorized C.A.R. to file its own Commercial rate for ceded commercial risks. The rates were to be based upon the experience of the residual market⁵⁹. These provisions slightly reduced the growth in the residual market in 1984, but growth began again in 1985 and continued thereafter until reaching more than 65%. This level was clearly unacceptable and the Legislature responded by enacting the Insurance Reform Act, Chapter 273 of the Acts of 1988⁶⁰.

The Insurance Reform Act addressed such issues as cost containment, changes to the deficit sharing formula (Rule 11), depopulating the residual market and allowing all member companies to be Servicing Carriers, if they met eligibility requirements. In accordance with the law, C.A.R. developed "Performance Standards for the Handling and Payment of Claims by Servicing Carriers", in an effort to contain costs. In 1990, C.A.R. placed cession caps on private passenger and commercial business to reduce the residual market population. Most importantly, C.A.R. changed its formula for allocating C.A.R.'s deficit from a participation formula to a utilization formula. Essentially, this formula allocates the deficit in proportion to the amount of business the Insurer cedes to C.A.R. The reason for this change was that C.A.R. wanted to encourage companies to retain more risks voluntarily, thereby using C.A.R. only for its intended purpose, namely placing unprofitable risks in the residual market. C.A.R. also wanted to discourage insurers from leaving the state.

C.A.R. also offers incentives to insurers for voluntarily writing underpriced risks. These incentives are in the form of territorial and class credits. These credits are factored into the utilization formula and can serve to decrease an insurers' share of the residual market deficit.

STRUCTURE:

C.A.R. has been described as an "unincorporated association" of private insurance companies⁶¹. It is administered by a Governing Committee, which is supervised by the Commissioner of Insurance⁶². The Governing Committee consists of thirteen (13) individuals appointed by the Commissioner, to terms of six (6) years⁶³. The Governing Committee is comprised as follows: seven (7) members are from participating insurers, one of whom must be from a domestic insurer whose annual motor vehicle policy premium amounts to twenty million dollars or less and is unaffiliated with any other insurance company and six (6) members are from associations of insurance producers, one of whom must be an exclusive representative producer⁶⁴. Once appointed, a member may not be removed unless the company it represents decreases its book of automobile business in Massachusetts by more than ten percent (10%) from the previous calendar year. When appointing the members, the Commissioner considers whether the member companies and producers are fairly represented⁶⁵. C.A.R.'s Governing Committee meets every other month. These meetings are subject to the open meeting laws⁶⁶, and are well attended by industry representatives, trade media and other interested parties.

There are twelve (12) standing committees in C.A.R., each with its own area of expertise. The Chairmen and members of the standing committees are appointed by the Chairman of the Governing Committee. The standing committees examine issues presented to them and make recommendations to the Governing Committee on them. Some matters are the direct responsibility of a standing committee, while other matters are referred to a standing committee by the Governing Committee. An appeal process is available for those who are dissatisfied with a recommendation or decision of the standing committee. The twelve (12) standing committees are as follows:

Actuarial Committee

This committee meets as needed to review and make determinations regarding deficit sharing rules and procedures, participation credits, adequacy of expense allowances, commissions and various other technical subjects. This Committee also considers all actuarial matters referred to it and develops recommendations for Governing Committee consideration.

Audit Committee

This committee is responsible for the establishment of all C.A.R. audit requirements and is instrumental in establishing and monitoring the C.A.R. Audit Program. On an ongoing basis, this Committee continues to serve in an advisory capacity to the Governing Committee, C.A.R. President, and Vice President of Auditing.

Budget Committee

The Budget Committee bears the responsibility of reviewing the annual operating budget as proposed by the C.A.R. President and to recommend to the Governing Committee for their approval a final C.A.R. budget. This Committee also reviews quarterly budget variances to ensure that the expenditures of C.A.R. are in compliance with the approved annual budget. Whenever significant operational changes are proposed, the Budget Committee reviews such changes and identifies their impact upon the annual budget.

Claims Advisory Committee

The Claims Advisory Committee reviews current developments in the areas of claim settlement practices, claim handling and reporting systems, and makes appropriate recommendations to the Governing Committee. This Committee also serves in an advisory capacity to the Vice President of Claims of C.A.R.

Commercial Lines Committee

This Committee is responsible for formulating recommendations related to rates, manuals of classification, rules, rating plans, policies, forms, and other matters associated with other than private passenger C.A.R. business.

Defaulted Brokers Committee

The Defaulted Brokers Committee was appointed by the Governing Committee primarily to deal with the problems encountered when a defalcation of an Exclusive Representative Producer, who has no voluntary contract with a petitioning company, occurs.

Governing Committee Review Panel

The Governing Committee Review Panel is charged with the responsibility of reviewing the appeals made by members, licensed agents, and licensed brokers aggrieved by any alleged unfair, unreasonable, or improper practice of C.A.R.

Joint Actuarial and Commercial Lines Committee

This committee is responsible for formulating recommendations relative to rate levels and experience rating plans to be applied to commercial business ceded to C.A.R.

Loss Reserving Committee

The Loss Reserving Committee meets quarterly to review loss development and related data in order to develop recommendations to the Governing Committee for the incurred but not reported loss reserves which are to be used in the Member Participation Reports.

Market Review Committee

The Market Review Committee reviews marketing problems relative to C.A.R.'s Representative Producer/Servicing Carrier assignment relationships, particularly those involving Representative Producer terminations.

Operations Committee

The Operations Committee has the responsibility of advising the Governing Committee on all matters dealing with C.A.R.'s accounting, statistics, data processing, and procedural operations. This committee develops procedural and technical guidelines and reviews the operational compliance to the Plan. The Rules and Manual of Administrative Procedures are also prime responsibilities of the Operations Committee.

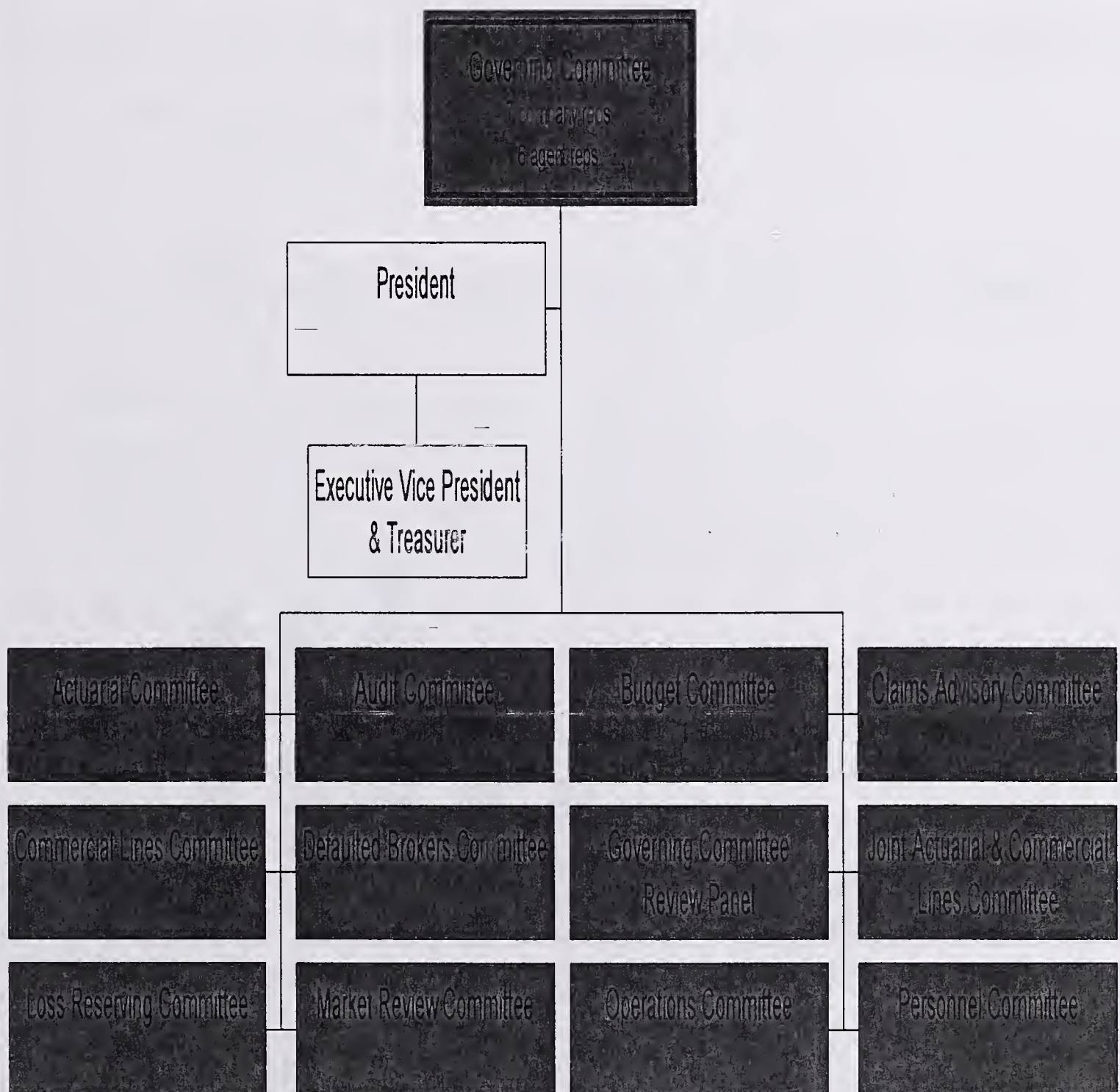
Personnel Committee

The Personnel Committee is responsible for reviewing and recommending for approval the structure of job levels and salary ranges, officer salary adjustments, and any changes to these structures as proposed by C.A.R.'s President. The Committee also makes itself available to act in an advisory capacity to C.A.R.'s staff in all areas relating to personnel policies and procedures.

The day to day operations of C.A.R. are administered by its President. The president is appointed by the Governing Committee, subject to the approval of the Commissioner of Insurance⁶⁷. (See organizational chart on next page⁶⁸)

COMMONWEALTH AUTOMOBILE REINSURERS

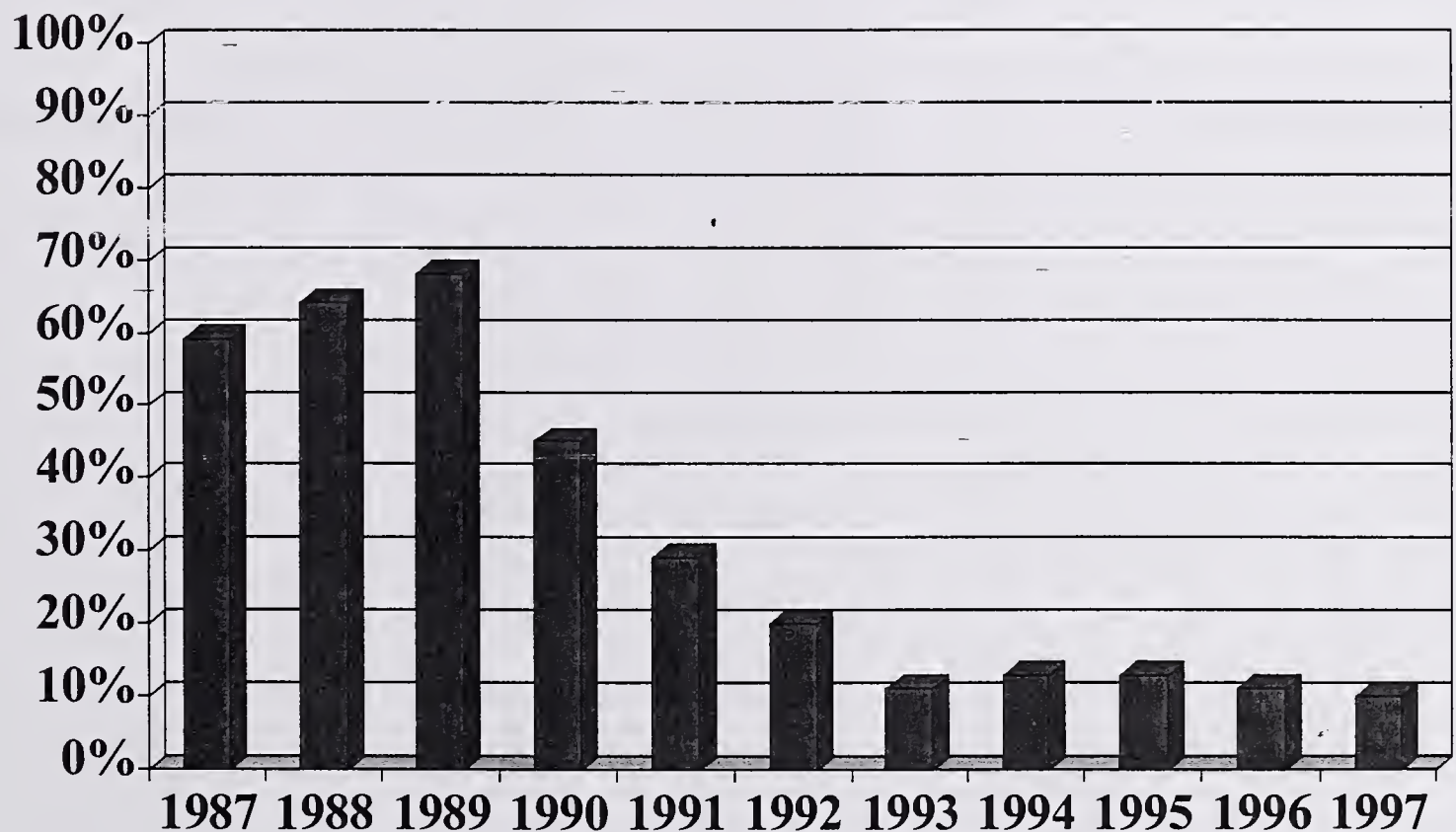
COMMITTEE STRUCTURE



ACCOMPLISHMENTS:⁶⁹

The combination of 1). A more profitable automobile insurance market; 2). A utilization ratio method and 3). "credits" for writing underpriced business, has led to a reduction of policies in the involuntary market. The number of policies in the residual market has been reduced from its highest point of nearly 70% in the late 80's to less than 10% in 1998. (See chart below⁷⁰) There has also been a yearly reduction of C.A.R.'s deficit during this period.

Private Passenger Cession Rates



***1997 Estimated**

Consumers have also benefited from C.A.R.'s governing committees performance standards. These standards necessitate the establishment of plans and procedures to contain customer costs as well as ensure high quality delivery of service in the processing and payment of claims. Company performance is periodically reviewed, evaluated and includes monetary penalties for non-compliance with these performance standards.

As the Sub-Committee continues to assess and evaluate the entire automobile insurance system, further review of C.A.R.'s role in the Massachusetts automobile insurance system will be undertaken.

RECOMMENDATIONS

Considering the foregoing discussion, the Sub-Committee recommends the following:

FLAT RATE

1. The flat rate should not be implemented in Massachusetts, because it does not benefit the majority of Massachusetts drivers.

CHOICE

2. The Commissioner of Insurance should be granted authority to implement a one year "Choice" pilot program in three territories: one heavily subsidized territory, one minimally subsidized territory and one territory which pays a subsidy. Under said plan, consumers would be offered three choices: 1. A pure tort policy; 2). A pure no-fault policy or 3). The policy currently offered by the state. A minimum of three (3) carriers must volunteer to sell said products in the three territories. The pilot program would be effective for rate-year 1999. The details for implementing said program shall be finalized by the Sub-Committee on Automobile Insurance, the Division of Insurance, the State Rating Bureau, the Merit Rating Bureau and the Office of the Attorney General.

COMPETITION

3. The Work-group on Competition, organized in 1990 and re-convened in August, 1997, should work with the Sub-Committee on Automobile Insurance and together undertake a comprehensive study regarding the feasibility of moving to competitive rate-making and the measures necessary to successfully changeover from the present fix and establish system to a competitive one. The Work-group on Competition should submit recommendations to the Joint Committee on Insurance for its full consideration and possible implementation.

COMMONWEALTH AUTOMOBILE REINSURERS (C.A.R.)

4. C.A.R. is presently operating efficiently and smoothly. Its operating budget has steadily declined for the past five (5) years. As a result of C.A.R.'s proactive measures, the residual market is at the lowest point ever, 9.5%. Automobile insurance is readily accessible to Massachusetts drivers and rates have continued to decline for the past five (5) years. Thus, no changes should be made to C.A.R. at this time.

In addition, the following recommendations were formulated by the Sub-Committee during the creation of this report, but were not specifically addressed herein:

SAFE DRIVER INSURANCE PLAN

5. The Sub-Committee recognizes that the cost to repair automobiles has risen and damage to a vehicle from a minor "fender bender" can easily exceed \$500.00. Accidents which cause minor property damage and do not exceed the tort threshold should not be surchargeable events. As such, the Sub-Committee recommends that the Commissioner of Insurance conduct an investigation and study regarding the feasibility of amending the Safe Driver Insurance Plan by raising the threshold for "Minor At-Fault Accidents" from \$500 to \$2,000. A new category, "Moderate At-Fault Accidents", would be created. This category would include payment of claims which exceed \$3,000 but are less than \$6,000. Finally, the "Major At-Fault Accidents" category would include payment of claims greater than \$6,000. The surcharge points assess for these accident threshold categories would be: 3 points for "Minor At Fault Accidents"; 4 points for "Moderate At Fault Accidents" and 5 Points for "Major At Fault Accidents"⁷¹.
6. The clean slate rule currently applies to drivers at step 16 and above. Under the clean slate rule, if the driver remains incident free for three consecutive years, he/she is placed at the step 14, which is the first credit step. The Sub-Committee believes that a similar clean slate rule should be created for step 10 drivers⁷². We propose that step 10 drivers, who remain incident free for three consecutive years following the violation, be given a credit for the year in which the violation occurred. This way, after three years, the step 10 driver can return to his/her step 9 status.
7. Pursuant to Chapter 239 of the Acts of 1997, the Commissioner of Insurance, in undertaking the study of the Safe Driver Insurance Plan (Plan), should examine the feasibility of amending said Plan by altering the formula for distributing credits. The goal of this recommendation is to lessen the imbalance within the Plan.
8. Pursuant to Chapter 239 of the Acts of 1997, the Commissioner of Insurance should require that the Safe Driver Insurance Plan Task Force (SDIP Task Force) be re-convened and merge with the Sub-Committee to undertake the study mandated thereby. The merged SDIP Task Force should scrutinize the SDIP and submit recommendations to the Joint Committee on Insurance. Said recommendations should aim towards providing further incentives for safe driving.

GROUP MARKETING

9. The participation requirement, presently 35%, should be changed. Instead of a fixed percentage participation requirement, each company would be required to devise its own participation formula. Said formula must justify the group marketing deviation the company requests.

UNINSURED DRIVERS

10. Drivers who traverse the roadways in the Commonwealth without having the mandatory insurance coverage should be precluded from receiving compensation from insured Massachusetts drivers for property damage to their vehicle, resulting from a motor vehicle accident with an insured, at-fault Massachusetts driver. Motorists who do not contribute to the insurance system should not be allowed to withdraw from it.

FRAUD

11. Fraud translates into higher premiums for **all** Massachusetts drivers. Therefore, every effort must be made to detect fraudulent claims and to prosecute and punish individuals who perpetrate insurance fraud. In this regard, accident reports must contain the name and address of the operator, the occupants in the vehicle at the time of the accident, and the witnesses. Most importantly, the accident report must be signed under the pains and penalties of perjury, so that signing a report that contains false information will be a crime in and of itself. In addition, to further deter insurance fraud, this crime must be classified as a felony and greater penalties must be imposed for violating this law.

CONCLUSION

Massachusetts consumers have reaped the benefits of the state's healthy insurance environment. Under the present fix and establish system, the state set rates have steadily decreased for the past four (4) years. These rate decreases total approximately **20%**. Consumers have also benefited from the approval of various discounts off the state mandated rate level. These discounts include Safe Driver Discounts and Group Marketing Discounts. In 1996, the average discount was 8% off the state mandated rate, **saving consumers approximately \$240 million dollars**. In 1997, the average discount rose to approximately 10%, **saving consumers approximately \$300 million dollars**. Thus, in the last two years, Massachusetts drivers have saved more than **half a billion dollars** off the state mandated rate.

As of January 12, 1998, twenty-seven (27) companies have filed deviation requests for Safe Driver Discounts. As of January 30, 1998, roughly 1,500 Group Marketing Discounts have been approved by the State Rating Bureau. Thus, Massachusetts drivers will continue to save millions of dollars in 1998 as well.

Massachusetts drivers have also benefited from the efforts of the Insurance Fraud Bureau, created by the legislature in 1990⁷³. From 1991 through 1997, the Insurance Fraud Bureau has commenced criminal investigations, resulting in **450** people being the subject of criminal indictment or complaint, with **224** people **convicted** on **1,485**⁷⁴ counts of insurance fraud and related crimes. During this period, **12,863** cases were referred from the public, insurance companies, and other organizations to the Insurance Fraud Bureau for investigation.

While not the sole contributing factor, the criminal investigative efforts of the Insurance Fraud Bureau have helped contribute to the four (4) consecutive years of automobile rate reductions discussed above. The public/private partnership joining the prosecution efforts of the Office of the Attorney General, with the criminal investigative efforts of the Insurance Fraud Bureau have become a nationally recognized model of excellence in the battle against insurance fraud.

Based on the foregoing discussion, the House Sub-Committee on Automobile Insurance concludes that the present Massachusetts fix and establish system should remain in tact. The Sub-Committee will remain diligent in overseeing the Massachusetts automobile insurance system and will respond immediately, should any adverse conditions arise in the future.

ENDNOTES

¹ The bills proposing a "flat rate" did not contain provisions on how the rate would be calculated. For purposes of this report, the Sub-Committee assumed that the "flat rate" would be fixed and established and would be the 1997 average rate for both compulsory and standard packages of insurance. See Automobile Insurers Bureau of Massachusetts, Actuarial Notice 97-3 "Subsidies in the 1997 Rates", March 26, 1997, Exhibit #1, page 1 and page 3.

² See Automobile Insurers Bureau of Massachusetts, Actuarial Notice 97-3 "Subsidies in the 1997 Rates", March 26, 1997, Exhibit #1, page 1 and page 3.

³ Id.

⁴ See Actuarial Notice 97-3 at Exhibit #1, page 1. See also Appendix A, "1997 Territorial Subsidies: Compulsory Package".

⁵ See Actuarial Notice 97-3 at Exhibit #1, page 3. See also Appendix B, "1997 Territorial Subsidies: Standard Package".

⁶ See Actuarial Notice 97-3 at Exhibit #1, page 1. See also Appendix A, "1997 Territorial Subsidies: Compulsory Package".

⁷ See Actuarial Notice 97-3 at Exhibit #1, page 3. See also Appendix B, "1997 Territorial Subsidies: Standard Package".

⁸ See Actuarial Notice 97-3 at Exhibit #1, page 1.

⁹ Id.

¹⁰ Id.

¹¹ Id.

¹² Id.

¹³ See Actuarial Notice 97-3 at Exhibit #1, page 3.

¹⁴ Id.

¹⁵ Id.

¹⁶ Id.

¹⁷ Id.

¹⁸ Id.

¹⁹ See Appendix C, "Private Passenger Automobile Rate Comparisons, Compulsory Coverage (Minimum Liability Only)", provided by request, courtesy of Domestic Automobile Insurers of Massachusetts.

²⁰ Id.

²¹ Id.

²² Id.

²³ See Appendix D, "Private Passenger Automobile Rate Comparisons. Liability and Physical Damage Coverages", provided by request, courtesy of Domestic Automobile Insurers of Massachusetts.

²⁴ Id.

²⁵ See M.G.L. c. 90 §34M

²⁶ See M.G.L. c. 231 §6D

²⁷ M.G.L. c. 231 § 6D provides that the injuries must, (1) cause death, or (2) consist in whole or in part of loss of a body member, or (3) consist in whole or in part of permanent and serious disfigurement, or (4) result in such loss of sight or hearing as is described in paragraphs (a), (b), (c), (d), (e), (f), and (g) of M.G.L. c. 152 §36 or (5) consist of a fracture.

²⁸ See M.G.L. c. 231 §6D

²⁹ M.G.L. 231 §85A

³⁰ Each state has its own negligence laws. Some states use a contributory negligence system. Under contributory negligence, any percentage of culpability attributable to the plaintiff bars recovery. Under comparative negligence, the plaintiff cannot recover if the amount of his/her negligence is greater than the amount attributable to the defendant. Any damages allowed are diminished in proportion to the amount of the plaintiff's negligence.

³¹ Insureds may purchase higher limits if they so choose.

³² See N.J. Stat. Ann. §39:6A-1 et. seq. (West 1995). See also Robert H. Joost, Automobile Insurance and No-fault Law. §6:24 at 271, 271-273.

³³ Id.

³⁴ Id.

³⁵ Id.

³⁶ See 75 Pa. Cons. Stat. Ann. § 1705 (1996). See also Robert H. Joost, Automobile Insurance and No-fault Law. §6:28 at 279, 279-282.

³⁷ Id.

³⁸ Id.

³⁹ Id.

⁴⁰ See Ky. Rev. Stat. Ann. §304.39 et seq.(Michie/Bobbs-Merrill 1996). See also Robert H. Joost, Automobile Insurance and No-fault Law. §6:20 at 262, 262-263.

⁴¹ Id.

⁴² Id.

⁴³ Id.

⁴⁴ An identical bill was filed in the House.

⁴⁵ Of course, this is based on the assumption that the uninsured driver can not afford the insurance and not that the driver simply chooses to drive uninsured for non-economic reasons.

⁴⁶ "Neutral Step" means the step at which neither explicit surcharge points are assessed nor explicit-credit points are granted.

⁴⁷ See Insurance Information Institute, Sharing the Risk, 143,143 (3d ed. 1989)

⁴⁸ Id.

⁴⁹ Id.

⁵⁰ Id.

⁵¹ This portion of the report is based primarily on discussion with legislators, regulators and printed historical documents authored by C.A.R., including the following: C.A.R. History, dated June 2, 1986; C.A.R.'s ROLE AND HISTORY, circa 1991; and COMMONWEALTH AUTOMOBILE REINSURERS A Market History, dated June 4, 1997.

⁵² See Chapter 551, the Acts of 1973.

⁵³ Under the Plan, risks were charged higher premiums. Since they had to apply to the plan itself for insurance, they were labeled "high risk" drivers. Consumers were not too receptive to this.

⁵⁴ These guidelines had to be approved by the Commissioner of Insurance.

⁵⁵ For example, in the 1970's the cession limit was that the insurer could not exceed its cession amount from the previous year.

⁵⁶ See Chapter 241, the Acts of 1983, M.G.L. c. 175 §113H.

⁵⁷ M.G.L. c. 175 § 113H

⁵⁸ See Chapter 241 of the Acts of 1983.

⁵⁹ Id.

⁶⁰ See Chapter 273, the Acts of 1988 §§18,34,39-44.

⁶¹ Commonwealth Automobile Reinsurers v. Allstate Ins. Co., et al, Civil Action No. 90-12621-K. slip op. at 12 (U.S.D.C. Mass. Jan. 22, 1992).

⁶² Commonwealth Automobile Reinsurers Plan of Operation, Article I Structure and Governance, revised through Sept. 1, 1991 (C.A.R. Plan).

⁶³ Id.

⁶⁴ Id. An Exclusive Representative Producer is an agent who is unable to secure a voluntary contract with an insurer. If the agent meets certain criteria, he/she will be assigned to a Servicing Carrier. The E.R.P. is assigned to an area that C.A.R. determines needs additional agents to ensure availability of insurance.

⁶⁵ Id.

⁶⁶ Id. See also, M.G.L. c. 175 §113H.

⁶⁷ Commonwealth Automobile Reinsurers Plan of Operation, Article I Structure and Governance, revised through Sept. 1, 1991 (C.A.R. Plan).

⁶⁸ Commonwealth Automobile Reinsurers Committee Structure provided, by request, courtesy of Commonwealth Automobile Reinsurers.

⁶⁹ For an industry perspective, see Commonwealth Automobile Reinsurers Background and Information, dated July, 1997.

⁷⁰ Private Passenger Cession Rates provided, by request, courtesy of Commonwealth Automobile Reinsurers.

⁷¹ This recommendation should only be implemented if it will not effect the revenue neutrality the plan.

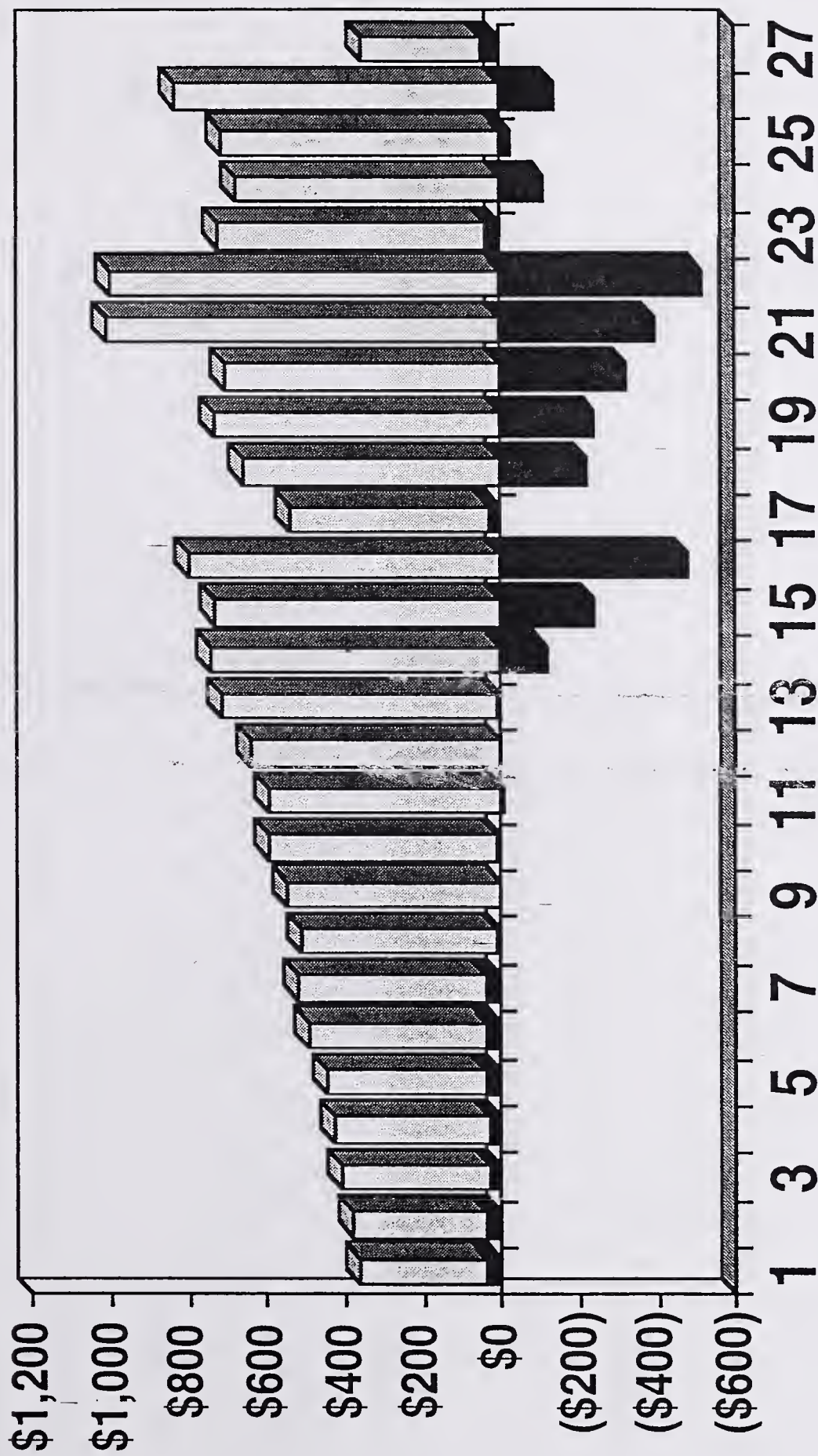
⁷² Step 10 drivers are drivers who have received one minor traffic violation during the six year experience period.

⁷³ See Chapter 339, the Acts of 1990.

⁷⁴ This is the sum of counts at indictment or complaints for convicted subjects.

1997 Territorial Subsidies Compulsory Package

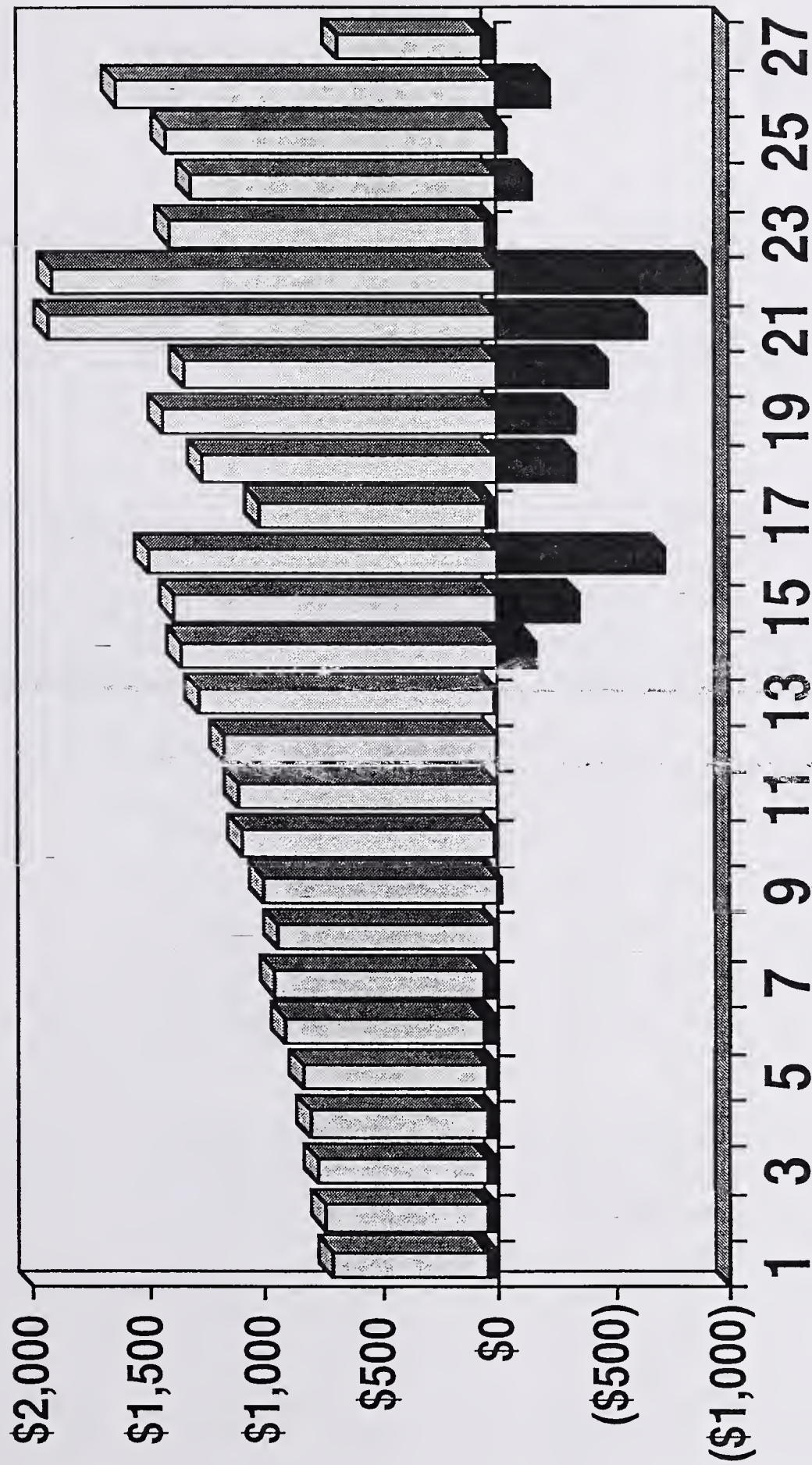
□ Rate Charged
■ Subsidy



Source: AIB Actuarial Notice #97-3, "Subsidies In The 1997 Rates", Exhibit 1, Page 1.

1997 Territorial Subsidies Standard Package

□ Rate Charged
■ Subsidy



Source: AIB Actuarial Notice #97-3, "Subsidies In The 1997 Rates", Exhibit 1, Page 3.

**Private Passenger Automobile Rate Comparisons
Compulsory Coverage (Minimum Liability Only)**

Pennsylvania

	Standard Adult Class (3-10 Mile Commute)			Youthful Male Principal Operator		
Coverage	(High Rated) Philadelphia	(Average Rated) Pittsburgh	(Low Rated) Cumberland Co.	(High Rated) Philadelphia	(Average Rated) Pittsburgh	(Low Rated) Cumberland Co.
Minimum Liability	1,115	334	240	2,870	894	635

New York

	Standard Adult Class (3-10 Mile Commute)			Youthful Male Principal Operator		
Coverage	(High Rated) Brooklyn	(Average Rated) Suffolk Co. West	(Low Rated) Rochester	(High Rated) Brooklyn	(Average Rated) Suffolk Co. West	(Low Rated) Rochester
Minimum Liability	1,355	918	391	4,084	2,703	1,036

California

	Standard Adult Class (3-10 Mile Commute)			Youthful Male Principal Operator		
Coverage	(High Rated) Los Angeles	(Average Rated) Glendale	(Low Rated) Del Norte	(High Rated) Los Angeles	(Average Rated) Glendale	(Low Rated) Del Norte
Minimum Liability	1,278	677	221	2,865	1,473	449

Notes:

Compulsory Limits: Pennsylvania: BI = \$15,000/\$30,000, PDL = \$5,000, UM = \$15,000/\$30,000, Basic PIP
 New York: BI = \$25,000/\$50,000, PDL = \$10,000, UM = \$25,000/\$50,000, Basic PIP
 California: BI = \$15,000/\$30,000, PDL = \$10,000, UM = \$15,000/\$30,000, Med = \$1,000

Other Assumptions:

Rates are based on a national multi-line insurer and would be applicable to a single car policy.
 No surcharges are applied (the risk has been accident/conviction free for 3 years).
 Pennsylvania is a "choice" state where insureds have the option of limiting their right to sue. The rates displayed assume that the insured has selected the limitation (by opting for No-Fault coverage rather than tort) and hence has been charged a lower premium.

**Private Passenger Automobile Rate Comparisons
Liability and Physical Damage Coverages**

Pennsylvania

Coverage	Standard Adult Class (3-10 Mile Commute)			Youthful Male Principal Operator		
	(High Rated) Philadelphia	(Average Rated) Pittsburgh	(Low Rated) Cumberland Co.	(High Rated) Philadelphia	(Average Rated) Pittsburgh	(Low Rated) Cumberland Co.
Liability	1,537	469	339	3,925	1,245	888
Collision	435	296	205	1,173	790	542
Comprehensive	205	121	41	556	326	107
Total	2,177	886	585	5,654	2,361	1,537

New York

Coverage	Standard Adult Class (3-10 Mile Commute)			Youthful Male Principal Operator		
	(High Rated) Brooklyn	(Average Rated) Suffolk Co. West	(Low Rated) Rochester	(High Rated) Brooklyn	(Average Rated) Suffolk Co. West	(Low Rated) Rochester
Liability	1,609	1,082	454	4,886	3,222	1,235
Collision	582	323	210	1,792	975	616
Comprehensive	548	163	67	1,698	482	177
Total	2,739	1,568	731	8,376	4,679	2,028

California

Coverage	Standard Adult Class (3-10 Mile Commute)			Youthful Male Principal Operator		
	(High Rated) Los Angeles	(Average Rated) Glendale	(Low Rated) Del Norte	(High Rated) Los Angeles	(Average Rated) Glendale	(Low Rated) Del Norte
Liability	1,767	904	289	4,901	2,480	749
Collision	510	318	238	1,477	900	662
Comprehensive	244	126	96	696	343	255
Total	2,521	1,348	623	7,074	3,723	1,666

Notes:

The rates displayed are reflective of a model year 1995 Ford Taurus GL
 Liability limits = 100/300/50 (\$100,000 limit per person, \$300,000 limit per accident, \$50,000 limit for property damage liability)
 Uninsured Motorist limits = 25/50 (\$25,000 per person, \$50,000 per accident)
 Medical Payments coverage = \$1,000 (\$5,000 for Massachusetts)
 No-fault = basic coverage
 Collision and Comprehensive deductibles = \$500

Other Assumptions:

Rates are based on a national multi-line insurer and would be applicable to a single car policy.
 Towing & Labor premium is included.
 Rental Reimbursement premium is included.
 No surcharges are applied (the risk has been accident/conviction free for 3 years).
 Pennsylvania is a "choice" state where insureds have the option of limiting their right to sue. The rates displayed assume that the insured has selected the limitation (by opting for No-Fault coverage rather than tort) and hence has been charged a lower premium.

MASSACHUSETTS PRIVATE PASSENGER AUTOMOBILE OVERALL RATE
CHANGES BY YEAR

